

**Acquisition Reform
Executive Focus Group
March 31, 1997
Final Report**

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Group Input on AR Support

1. WHAT IS WORKING?

Good exchange of service initiatives.

Good interaction between services and OSD staff.

Reform is taking hold. Need continued emphasis and reinforcement.

Good top down thrust on major weapon initiatives.

Widespread awareness that the department must--and is--doing business differently. The field is developing pockets of enthusiasm for acquisition reform.

Credit cards.

The FAR Part 15 rewrite is finally working out mostly to our satisfaction.

We are looking forward to resolution of business segments for past performance.

Use of web technology.

Good advertising and emphasis on acquisition reform.

Multifunctional teaming.

Adoption of commercial business practices and emerging technologies, but need regulatory/statutory help to allow use of BAAs as a competitive acquisition methodology for other than R&D and another example added to FAR 6.302-3(b) that will address using the authority of 10 USC 2304(c)(3) to achieve defense readiness, including on-demand surge and sustainment, through direct reliance on industry.

The jury is still out on use of the commercial coverage. Our field activities have, for the most part, just recently implemented it. Initially, we are experiencing some firms who are attempting to price gouge - quoting prices up to five times previous prices claiming that these are their commercial prices. The issue is being worked both by DCMC and DLA field activities.

The new task and delivery order coverage was used in DLA for a modified down-select process. The process worked well.

2. WHAT IS NOT WORKING?

Regulatory/legislative change needs to keep pace with reform focus.

FACNET

Changes to FAR , DFAR are too slow and conservative , i.e. property.

Use of ADR needs work--no financial incentive to settle many things out of "court".

Education and training of workforce must facilitate reform. May need to revisit methods and content of workforce training.

Acquisition training system--DAU is an anachronism. If we really are recruiting outstanding scholars, we should be training them like they are outstanding scholars.

Need more emphasis on Internet applications vs EC/EDI.

Not enough accountability - OSD leadership needs to pay attention to their metrics, add to or change them as they see fit , and have Services and OSD Agencies brief theirs to pressure people to take them seriously.

Regulatory definition of Competition may need adjustment to keep pace with downsized indus base and merger/acquisition activity.

Need to get related functions helping, DFAS is charging too much to pay bills, DISA is charging too much with little or no progress, procurement is not out in front of change, logistics is not making Service logistics play, Personnel never heard of reform, the test community never saw a test which shouldn't be expanded.

Need to get legislative initiatives back on track. Dr Kaminski and some SAE's have been saying we don't need any more reform legislation. True, not major reform, but there are some high leverage refinements that we urgently need. See areas to work.

NEED TO WITHDRAW 20 MARCH MEMO MANDATING SES OR GO APPROVAL FOR ANY NON CREDIT CARD PURCHASE UNDER \$2500.
- Credit card use is expanding rapidly and continues. This memo takes an effective program that is growing rapidly (over 80 percent in Army and AF) and makes it a burdensome nightmare.

Need to resist piecemeal EDI solutions for DFAS issues.

Cost and pricing.

We need to move beyond FACNET. WWW based solutions and EC Malls have improved dramatically since we started FACNET. Need legislative change and a broader vision.

OSD staff too large and often a delaying force not a change agent.

Too many IPT's and new initiative groups. Past Performace IPT started great but now is out of control with WIPT's. We simply don't have enough people to chase all of the special IPT's. Focus on the top priority issues derived from this and similar sessions.

Open systems - nobody understands it or what to do with it in the non-electronic areas - kill it.

Metrics.

Reform of small systems such as ACAT III's rebuys and spares.

The definition of the acquisition workforce has been mishandled and upset congress. Over the past 6 years there were many arbitrary cuts. Now you want to link process change to workforce reductions. You can't have it both ways. AR needs to do what ever is necessary to tell the story of reductions made and work with the Congress to stop this arbitrary legislation. The workforce is at the breaking point.

DLA sur charges are too high - prices have gone up when transfered from services.

Small Business leadership in the department is not supportive of Acquisition Reform. Through the Chamber of Commerce and others they are activiely trying to undermine our progress. The DoD metrics on support of Small Business over the past five years are outstanding. AR needs to tell the success story better and to work with the Small Business leadership to get them on our side.

3. WHAT IS MISSING?

Very few incentives for individuals to change their behavior--almost all incentives are negative.

Internal oversight bodies must recognize acquisition reform thrust, including whole notion of risk management.

Management at OSD over seeing AR like they do weapons with accountability, milestones , etc.

Regulatory coverage on such initiatives as SPI needed to help institutionalize practice.

Good organizational lines.

OSD paying attention to all of acquisition not just weapon acquisition.

Departmental commitment to investing in the acquisition infrastructure. The belief is that acquisition infrastructure is overhead. System must recognize that acquisition infrastructure is a direct and necessary cost of modernization and sustainment.

A cost accounting system so people can know what various functions are costing.

A department wide policy on electronic catalogs.

Cost and pricing reform.

A head of Acquisition Reform.

4. WHAT NEEDS TO BE FIXED?

The formal training part of DAU is working but not policy specific training.

- DAU controls formal training, course content, and the budget process.
- We also need both DoD and Service specific training. Need quick reacting orientation and awareness training.
- Communicating reform w/o tools and training is of limited value.
- Problem is DAU controls the budget so we get no budget allocation for our schoolhouses to develop web based training (other than formal courses).
- Solution is to put in place a system that integrates policy, tools, and training. This includes the training budget allocation from DAU to the Services for other than formal courses.

THIS IS THE NUMBER ONE PRIORITY ISSUE to be addressed.

Need to understand how technology will affect/enable our future business processes.

Need to provide incentives to the workforce to present the desired behavior.

Need to partner with the comptroller and resource allocation communities to achieve true reform. Reforming procurement alone will not provide breakthrough savings.

Need to understand the cost structure of the services we deliver to the department.

Leverage information technology. Need a vision for business process use of IT.

- Need better partnering between technical infrastructure (DISA, C3I) and functional owners(Procurement, Comptroller, Logistics)
- This means a cross-cutting approach to a shared data warehouse. To date, acquisition has been the lead but financial management issues (DFAS, EFT, CCR) are being addressed incrementally rather than in an integrated way.
- Much of this is not an AR responsibility. CIO's need a planning process. J-4's are driving the GCCS and GCSS. AR needs to make sure it is aligned with CIO's and J-4's.
- Lots of legislative and policy issues link to this issue. EC Malls, use of the WWW, CBDNet and electronic solicitations, previously mentioned financial issues (CCR, DFAS, EFT, etc).
- Bottom line. We need to ensure the new electronic commerce vision is much broader than the limited focus on EC/EDI (FACNET).

Commercial. There is huge leverage in this area. It is the top priority policy area. This requires a teaming with DDP. It is both a business practice and requirements issue. It cuts across the full spectrum of our activities. Services, information technology, simplified purchases, logistics, and major systems.

Need to look at training methods--more distance learning, more opportunity to tap into private colleges and universities.

Cancelling funds is still a problem. Need to resurrect the the Section 800 proposal that prevents funds from cancelling prior to satisfying the contract for which funds were obligated.

Legislative Initiatives

1. Cut the CBD period to 5 days if it's on CBDNet.
2. Repeal statutory preference for sealed bidding.
3. Raise Walsh-Healy threshold to \$100,000.
4. Raise Davis Bacon and Service Contract Act threshold to \$100,000.
5. Raise DD350 reporting threshold to \$100,000.
Not the link to simplified acquisition threshold.
6. Support the Service submitted changes to DAWIA

Government property policies, both provision of property to contractors and contract administration process needs attention.

Acquisition workforce development--as the workforce shrinks the need for multidisciplinary people grows. Must provide a structure that provides opportunities for multiple DAWIA certification.

Cost accounting system.

Cost principles and Cost Accounting Standards may need revision to keep pace with reform initiatives.

A better way to incentivise sole source contracts.

Cost principles--abolish all except CAS 401 and 402.

Cost and pricing policy.

The FAR , FAR , FAR.

Workforce needs some education and training in Decision Making--goes with the territory of fewer regulatory/legislative requirements.

Legislation is needed to:

- (a) repeal the Berry Amendment. This is a key drawback to buying commercial. Current proposal (discussed last week with Commerce and OFPP) would eliminate food, clothing and textiles from Berry, but retain specialty metals and measuring tools. This is acceptable for now and Commerce has said it will testify in support of this proposed legislation. We need to continue to work the specialty metals and measuring tools component.
- (b) Clear authority for sales to state and local governments. We are only seeking to authorize states and local governments to order off of DoD long-term contracts that are established on a DVD basis.
- (c) Changes to the Prompt Payment Act to allow payment of mixed invoices and flexibility in payment timeframes.
- (d) Authority for expanded use of negotiated sales by the Defense Reutilization and Marketing Service. Presently, the law restricts sales to a high bid, formal bid basis.
- (e) Legislation to require the establishment of a product registration system that would compel producers of commercial products to identify products that contain hazardous materials and indicate the proportion of such materials by weight. This legislation is needed to improve Hazardous Materials Management.

Electronic catalogs, electronic commerce, FACNET.

Personnel management reform needs to stay on track.

The DoD policy on FACNET implementation needs to be clarified. Relative to the interim FACNET certification process, there should be a formal statement that an activity does not have to be on the DISA architecture in order to be certified.

Reduce OSD staff.

Lack of training funds.

Disposal process need to be streamlined.

Requirements process needs improvement.

We are please that the Department of Commerce has implemented CBDNet which will greatly reduce costs for synopses. However, we would like to see the presumptive wait time at FAR 5.203(g), currently 6 days for electronic transmissions, reduced to one day. We understand that CBDNet usage rates

may need to be analyzed before such a change is made, but, given the time it takes for a change to the FAR, we recommend the information be gathered quickly so the FAR case can be initiated.

GPRA is driving us toward performance based budgeting--not sure we are all in sync as to manner and methods.

We need elimination of the regulatory requirement for GSA approval of the sale or exchange of non-excess personal property. The GSA approval process is lengthy and non-value added, and getting rid of it would greatly facilitate our increased use of supply chain management contracts by allowing contractors to sell our material to commercial customers.

Settlement of ktr final overhead rates is long process. Do we still need contractor certification, or could we streamline.

Issues Organized into Categories

Training

WHAT IS NOT WORKING?

1. Education and training of workforce must facilitate reform. May need to revisit methods and content of workforce training.
2. Acquisition training system--DAU is an anachronism. If we really are recruiting outstanding scholars, we should be training them like they are outstanding scholars.

WHAT NEEDS TO BE FIXED?

3. The formal training part of DAU is working but not policy specific training.
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4. Need to look at training methods--more distance learning, more opportunity to tap into private colleges and universities.
5. Workforce needs some education and training in Decision Making--goes with the territory of fewer regulatory/legislative requirements.
6. Lack of training funds.

Legislation

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Cost Pricing

WHAT NEEDS TO BE FIXED?

1. Cost and pricing policy

Parametric pricing and new techniques are needed for determining fair and reasonable price, particularly when we do not have certified cost and pricing data. This is a fundamental change. We have a large system of defective pricing, cost accounting standards, and DCAA audit of proposals that link to a cost based system. There is a large need for process reform, improved training, and new tools for this area.

2. Cost principles and Cost Accounting Standards may need revision to keep pace with reform initiatives.

3. Cost principles--abolish all except CAS 401 and 402.

GROUP DISCUSSION

I start to think of things like metric--so much is going on in this area. We need more specific phrase; streamlining; no verbs in statements.

What is it that we need to do to improve cost and pricing? I have problems with C&P daily. This is not easily understood as we have shifted other areas of the FAR. Army advertising contractor--why do I have to do C&P for advertising? Policy not implicit. If you look at history of Truth and Negotiations Act we will get information; philosophy of what is cost; CAS standards result; to streamline--must disclose how accounts to cost; show consistency with pricing; tell us standards and how you abide by standards--follow same lead.

We haven't done much of anything with principles and standards; is cost effective? GAO is looking at standards--what are we getting for oversight? Look at cost principles along same line with industry. Hasn't kept up with rest of reform. Less formal C&P requested. FAR part 12.

DFAS/Finance

GROUP DISCUSSION

I'd put comptroller more than DFAS.

I think you have two sets of business practices--one for community; another crosses comptroller, DFAS, etc.

Okay to combine with Policy/BP if we don't pass message to DFAS that there are no problems--will separate Policy/BP later to make sure message is clear.

Commercial Items/Practices

WHAT IS WORKING?

1. Adoption of commercial business practices and emerging technologies, but need regulatory/statutory help to allow use of BAAs as a competitive acquisition methodology for other than R&D and another example added to FAR 6.302-3(b) that will addresses using the authority of 10 USC 2304(c)(3) to achieve defense readiness, including on-demand surge and sustainment, through direct reliance on industry.
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Workforce - DAWIA

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IT/FACNET

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1. Need to resist piecemeal EDI solutions for DFAS issues.
2. We need to move beyond FACNET. WWW based solutions and EC Malls have improved dramatically since we started FACNET. Need legislative change and a broader vision.

Need more emphasis on Internet applications vs EC/EDI.

WHAT IS MISSING?

3. An department wide policy on electronic catalogs.
Electronic catalogs, electronic commerce, FACNET.

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Policy/Business Practices

WHAT IS WORKING?

1. The FAR Part 15 rewrite is finally working out mostly to our satisfaction.
2. We are looking forward to resolution of business segments for past performance.
3. Multifunctional teaming.
This is a good comment.
4. The new task and delivery order coverage was used in DLA for a modified down-select process. The process worked well.

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17. Need to get related functions helping , DFAS is charging too much to pay bills , DISA is charging too much with little or no progress , procurement is not out in front of change, logistics is not making Service logistics play , Personnel never heard of reform, the test community never saw a test which shouldn't be expanded.

WHAT NEEDS TO BE FIXED?

18. Need to partner with the comptroller and resource allocation communities to achieve true reform. Reforming procurement alone will not provide breakthrough savings.
19. Cancelling funds is still a problem. Need to resurrect the the Section 800 proposal that prevents funds from cancelling prior to satisfying the contract for which funds were obligated.

GROUP DISCUSSION

Disposal (#13) is wider than property; Maj. Gen. Drew's Process is separate from property disposal process.

Disposal reform is agency wide issue.

Army's legislative proposal for plant closure? No disposal is broader (#12).

The FAR is what needs to be improved.

This list includes fairly specific policy issues; leave as stand alone so people can look at it.

Mostly standard items; can't prioritize.

See comment under cost and pricing bucket.

FAR 15; waiting two years; I think comments are valid; we are not getting anywhere.

SAEs wanted to rewrite FAR (Colleen); FAR part 15--you start to get trapped with frustration to change FAR; if this is what needs to be done, probably don't want to get started.

Process or substance--both;

I could write--liability is in wrong place--in one hour; Hundreds of pages and government still has liability.

Problems in last 3 years--fundamentally did not agree on senior level on where this policy process should go.

No agreement at senior level.

Don't reach agreement on policy before sent down to staff; small business now fights it out in FAR process; OFPP and Small Businesses--we can't stand it anymore; public comments make difficult.

Need to get contracts policy out of administrative procedures act; in OFPP act.

Hyper link to procedures, tools, guides to practices that don't need to be codified.

No value found in OFPP; no with all agencies sitting around table.

Change OFPP Act at Federal level.

Happier with FAR practices--DAR council is best alternative.

I don't know if seniors can always do research able to do with committee; escalated FAR 15; send surrogates.

Process for identifying when principles need to weigh in; no protocol for when principles need to provide guidance.

Role that OFPP needs to play in how we do our business? We are not real good about sorting down into buckets--which have federal, departmental, services, individual buyers--no good model.

Does the standing structure contribute to this? Ad hoc better? What is approach? Current not working.

To much writing--not concise; quicker, more streamlined approach for senior leadership; quicker.

Reaction time to system.

Maybe it is not an issue of the structure, but the process the structure uses; this is great tool;

Look at process; CORM recommendation to rewrite FAR; never get it done...pull it out of the OFPP so we don't need public comment; no one believed it will get done.

Prefer approach to change only parts of FAR that need to be changed; DAR council could have ideas on how to resolve comments, etc.; resolve comments off-line.

Format of FAR itself--satisfied with format it is in; don't get complaints about FAR; complaints about length of time it takes to get a regulation into effect.

Get complaints about FAR pertaining to property; they don't like the property section.

Requests for guidance.

Property issue is lots of people who want to streamline it; didn't in that area; don't control--comptrollers have problems.

Chief Financial Officers ACT.

People outside community not interested in making it simple.

Your CPMS doesn't produce records for comptroller needs.

Goes back to policy and process.

Metrics

WHAT IS MISSING?

1. Management at OSD over seeing AR like they do weapons with accountability, milestones, etc.
2. A cost accounting system so people can know what various functions are costing.
Need to understand the cost structure of the services we deliver to the department.

WHAT NEEDS TO BE FIXED?

3. GPRA is driving us toward performance based budgeting--not sure we are all in sync as to manner and methods.
4. Not enough accountability - OSD leadership needs to pay attention to their metrics, add to or change them as they see fit, and have Services and OSD Agencies brief theirs to pressure people to take them seriously.

GROUP DISCUSSION

#2 should say management at OSD not overseeing...some preferred management at OSD overseeing...

Certainly not under what is working.

General

WHAT IS WORKING?

1. Good exchange of service initiatives.
2. Good interaction between services and OSD staff.
3. To continue the Acquisition Reform momentum a permanent leader is necessary.
4. Good top down thrust on major weapon initiatives.
5. Widespread awareness that the department must--and is--doing business differently. The field is developing pockets of enthusiasm for acquisition reform.
6. Reform is taking hold. Need continued emphasis and reinforcement.
7. Good advertizing and emphasis on acquisition reform.

WHAT IS NOT WORKING?

8. OSD staff too large and often a delaying force not a change agent
Reduce OSD staff
9. Too many IPT's and new initiative groups. Past Performace IPT started great but now it is out of control with WIPT's. We simply don't have enough people to chase all of the special IPT's. Focus on the top priority issues derived from this and similar sessions.
10. Open systems - nobody understands it or what to do with it in the non-electronic areas - kill it
11. Reform of small systems such as ACAT III's rebuys and spares
12. Small Business leadership in the department is not supportive of Acquisition Reform. Through the Chamber of Commerce and others they are activiely trying to undermine our progress. The DoD metrics on support of Small Business over the past five years are outstanding. AR needs to tell the success story better and to work with the Small Business leadership to get them on our side.

WHAT IS MISSING?

13. Internal oversight bodies must recognize acquisition reform thrust, including whole notion of risk management.
14. Good organizational lines.
15. OSD paying attention to all of acquisition not just weapon acquisition.

16. Departmental commitment to investing in the acquisition infrastructure. The belief is that acquisition infrastructure is overhead. System must recognize that acquisition infrastructure is a direct and necessary cost of modernization and sustainment.

GROUP DISCUSSION

Do you want acquisition reform to continue? I think this is an important issue (an AR head original comment). Changed to: If you want to continue the momentum in acquisition reform, a permanent leader is required.

